Benjamin J. Otto (ISB No. 8292)
710 N 6th Street
Boise, ID 83701
Ph: (208) 345-6933 x 12
Fax: (208) 344-0344
botto@idahoconservation.org

Attorney for the Idaho Conservation League

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA CORPORATION'S 2013 INTEGRATED RESOURCE PLAN	))))	CASE NO. AVU-E-13-07 IDAHO CONSERVATION LEAGUE'S COMMENTS

The Idaho Conservation League (ICL) recommends the Commission accept Avista's 2013 Integrated Resource Plan (IRP) with a few caveats. While Avista's IRP does not cover the full risk of continued reliance on Colstrip and inaccurately calculates the costs alternative supplies, there is sufficient time to address these short comings in future IRPs. There is "time" because the IRP concludes Avista will not need additional generation resources until 2019 at the earliest and therefore is not relying on the 2013 IRP to justify decisions about new resources. This stands in stark contrast to Idaho Power and Rocky Mountain Power's stated intention to make expensive resource decisions based on the respective 2013 IRP. However, during this "time" Avista's 2013 IRP revels potential actions Avista could deploy now to address the longer term challenges and risks the plan identifies. These actions are the caveats ICL recommends the Commission include in accepting Avista's 2013 IRP.

Avista's 2013 IRP does not completely capture the risk Colstrip presents to Avista ratepayers. As a minority owner in two of the four Colstrip units Avista is exposed to two categories of Colstrip risks – those that affect the plant as a whole and those that affect units 3 and 4 in which Avista has an ownership stake. These risks include:

Coal ash regulations – while Avista "does not anticipate significant changes" to coal ash costs the IRP does not mention the citizen suit currently pending in Montana state court regarding the regulation of coal ash under state law.[1] This suit presents a risk of increased costs to the entire plant.

[1] Avista 2013 IRP at 8-29 – 8-30.

Prevention of Significant Deteriorations regulations – Under the Federal Clean Air Act new and existing pollution sources are subject to different regulations. Sometimes however, an "existing" source can become a "new" source when enough of the source is upgraded, replaced, or altered to pass a legal threshold. Becoming a "new" source under the law generally imposes more stringent pollution standards than "existing" sources. Avista does not disclose a pending citizen suit seeking to define Colstrip as a "new" source and thus subject to enhanced standards. This suit presents risks of increased environmental control costs for the entire plant.

Regional Haze Rule – Also under the Federal Clean Air Act, this rule requires states to identify the Best Available Control Technology for pollution sources and impose timelines to install these controls on various state sources. Avista claims the only risk to Colstrip units 3 and 4 is a possible requirement for enhanced controls in 2027. But Avista does not disclose the currently pending case challenging Montana's initial determination of control technologies and timelines. This case could result in enhanced pollution controls on units 3 and 4 well before 2027.

Greenhouse Gas rules –In this IRP Avista does not include a carbon adder in the expected future case.[2] Rather Avista forecasts the effect on regional market prices from forecasted coal plant closures based on existing environmental controls. Avista's method may capture the impacts from current environmental controls. But this does not capture the risk of future carbon controls, which may cause more coal plant closures and otherwise affect electricity prices. While predicting the precise cost and compliance strategy with future carbon regulation is difficult absent a specific proposal, using a carbon adder based on an analysis of potential carbon costs is a reasonable, and widely utilized, method to account for risks. When Avista does apply a carbon adder in the "National Climate Change policy scenario", the preferred strategy includes higher levels of energy efficiency.[3] Because increased cost-effective efficiency tends to reduce risks in general by lowering loads ICL recommends the Commission direct Avista to increase energy efficiency acquisition as a hedge against future carbon regulations.

Avista does include a portfolio that analyzes removing Colstrip and replacing it with a 270 MW Combined Cycle Combustion Turbine. Not surprisingly, this narrow look revealed that building a new gas plant of equivalent nameplate is more expensive than continuing to operate a largely depreciated coal plant. But this analysis is fundamentally flawed in two ways. First, Avista

[2] Avista 2013 IRP at 7-12.
[3] Avista 2013 IRP at 8-21.

admits the portfolio only considered the cost to replace Colstrip and excluded any benefits from the sale of Avista's interest.[4] Second, assuming Avista must replace the entire nameplate of Colstrip Units 3 and 4 immediately does not recognize the ability of Avista's current generation fleet, the regional energy and capacity positions, or incremental investments in energy efficiency to absorb some of the loss of Colstrip. Looking at Avista's system as an integrated whole to define the replacement energy and capacity needs likely will reveal a lower cost alternative than a 270 MW combined cycle combustion turbine. ICL recommends the Commission direct Avista to examine the ability of existing resources, both Avista owned and regionally available, to replace Colstrip generation.

Avista's 2013 IRP identifies the potential to increase hydroelectric generation at existing facilities as an alternative to gas plants. While named the "Higher Washington RPS" portfolio, the analysis actually shows that increasing generation abilities at the Monroe Street and Long Lake facilities would supplant a natural gas fired peaking resource regardless of compliance with Washington RPS rules.[5] The hydro enhanced portfolio does have a slightly higher capital cost than the preferred portfolio, but this increase is offset by reducing risks.[6] Maximizing the capacity of existing hydro resources will provide needed fuel diversity as Avista continues to focus on natural gas generation. ICL stands ready to assist Avista and other stakeholders in reviewing the environmental and water rights impacts of these projects. ICL recommends the Commission direct Avista to compare the costs and benefits of increasing hydro capacity in Avista's current fleet against the preferred strategy of building new gas fired peaker plants.

As part of the 2013, Avista commissioned a Conservation Potential Assessment that follows the standard approach of defining technical, economic, and achievable potential.[7] ICL recommends the Commission focus on Avista's plan to pursue all cost effective energy efficiency by closing the gap between economic and achievable potential. Unlike other Idaho utilities, Avista's IRP describes a method to do just this by integrating the results into business planning and operations.[8] For example, the potential assessment identifies measures that are highly cost effective but have low "achievable" potential because of customer acceptance. Focusing Avista's

[4] Avista 2013 IRP at 8-26.
[5] Avista 2013 IRP at 8-31.
[6] Avista 2013 IRP at table 8.14, page 8-33.
[7] Avista 2013 IRP at 3-1 – 3-3.
[8] Avista 2013 IRP at 3-13 – 3-14.

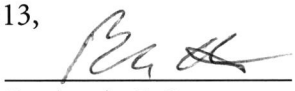
resources on closing the achievement gap for highly cost effective measures is a reasonable step forward. ICL recommends the Commission direct Avista to establish a procedure and timetable for integrating the results of the Conservation Potential Assessment into near-term energy efficiency planning.

Conclusion

Avista's 2013 IRP describes a utility well positioned to focus on long-term risks and resource needs as opposed to short-term resource decisions. With no additional generation needed until at least 2019, and a regional energy and capacity surplus until then, Avista has the time and space to deploy actions that can insulate customers from uncertainty. For example, starting now to resolve conflicts over hydroelectric upgrades could allow these resource to come on-line in time to displace gas or coal resources. Likewise, using the Conservation Potential to close the achievement gap in energy efficiency today will position Avista and customers for an uncertain tomorrow. ICL Recommends the Commission accept Avista's 2013 IRP with the following caveats:

1. Require a full disclosure of Colstrip's risks attributable to environmental regulations and Avista's minority ownership position.
2. Direct Avista in increase energy efficiency levels inline with the preferred resource strategy resulting from the "National Climate Change policy scenario".
3. Require an analysis of the extent to which current resources can absorb the loss of Colstrip generation.
4. Require a comparison of expanding existing hydro resources as an alternative to gas peaking plants.
5. Direct Avista to develop a procedure and timetable for using the results of the Conservation Potential Assessment to close the achievement gap.

Respectfully submitted this 13th day of November 2013,



Benjamin J. Otto
Idaho Conservation League

CERTIFICATE OF SERVICE

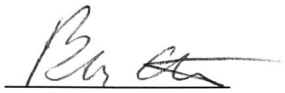
I certify that on the 13th day of November, 2013, I delivered true and correct copies of the foregoing COMMENTS OF THE IDAHO CONSERVATION LEAGUE to the following via the service method noted:

Hand delivery:

Jean Jewell
Commission Secretary (Original and seven copies provided)
Idaho Public Utilities Commission
427 W. Washington St.
Boise, ID 83702-5983

Electronic Mail only:

Avista Utilities
David J. Meyer, Esq.
Vice President & Chief Counsel,
Regulatory and Government Affairs
Kelly O. Norwood
Vice President - State and Federal
Regulation
Avista Corporation
P.O. Box 3727
1411 E. Mission Ave.
Spokane, WA 99220-3727
David.meyer@avistacorp.com
Kelly.norwood@avistacorp.com



Benjamin J. Otto